National Association of
State Comptrollers
An Affiliate of NASACT

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June 29, 2026

Robert Malone, Director
Tax Exempt and Government Entities Division
Internal Revenue Service
Washington, DC

Re: Request for Guidance on Government Employer Implementation of Overtime Pay Provisions Under the One Big Beautiful Bill Act

Dear Mr. Malone:

On behalf of the payroll group of the National Association of State Comptrollers, we respectfully request the timely release of additional guidance on the implementation of the overtime pay provisions under the One Big Beautiful Bill Act.

While we sincerely appreciate the relief from penalty for tax year 2025, government employers still need specific guidance to understand and put into place the new reporting and administrative requirements related to qualified overtime compensation. Without that guidance, there is concern that payroll systems may not be ready to meet the new requirements.

Clear and timely guidance is especially important for government employers because public-sector payroll is complex. Governments work with a wide range of payroll systems, collective bargaining agreements, statutory overtime rules, public safety schedules, compensatory time practices, and employee groups whose overtime may be calculated under different federal, state, or local rules.

Timing is also a significant concern. Many agencies conduct open enrollment in the fall for the following calendar year. For example, some states have a mandatory open enrollment period that requires all employees to enroll. Because of the volume of enrollments, open enrollment runs from late September through October. Making configuration changes during that time could create unnecessary risk for software applications, and for that reason, such changes are generally not allowed during open enrollment.

In addition, the IRS typically releases updates to tax tables, earnings limits, and contribution limits in late October or early November. These required updates are processed through third-party software providers and must then be implemented and tested in state systems before they can be moved into production.

There are also several year-end challenges that affect payroll departments, including:

- Last-minute form changes**:** Changes to existing forms often need to be implemented for the upcoming reporting year.

- Sunset of the FIRE system and implementation of IRIS: Many software providers are working with their development teams to deliver updated formats to customers, and release dates can vary by provider.
- Year-end processing: Year-end is already a demanding time for payroll departments. Shortened processing schedules due to the holidays, combined with the need to ensure W-2s are issued timely and accurately, leave little time for major system changes.

Although guidance issued for employees has provided some insight into how the IRS intends to implement the overtime provisions, government employers need additional direction. We respectfully request that the IRS provide guidance addressing, at a minimum:

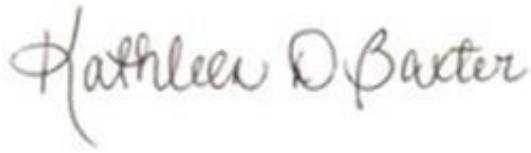
1. How government employers should identify and calculate qualified overtime compensation for reporting purposes;
2. How the provisions apply to public-sector employees with alternative work schedules, fluctuating workweeks, shift differentials, premium pay, standby pay, or other forms of additional compensation;
3. Whether compensatory time arrangements affect the calculation or reporting of qualified overtime compensation, and, if so, whether the IRS will provide a safe harbor methodology for employers whose compensatory time balances include both FLSA and non-FLSA overtime accumulated over multiple years, including periods prior to the 2025 implementation of the qualified overtime compensation provisions, and that cannot be readily identified or traced to specific earning periods;
4. Any special considerations for fire protection, law enforcement, public safety, corrections, emergency response, and other employees subject to unique overtime rules;
5. Employer reporting obligations, including any Form W-2 instructions, transition relief, or safe harbors; and
6. Recommended employee communications to help public employees understand the difference between payroll withholding, wage reporting, and the individual income tax deduction.

Government employers are committed to implementing these provisions accurately. To do so, they need practical guidance that recognizes the realities and complexity of public-sector payroll operations. Clear examples, transition relief where appropriate, and timely employer reporting instructions would help governments comply consistently and efficiently.

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Thank you for your consideration. Should you need additional information about public-sector payroll practices or implementation challenges, please contact our representative in Washington, Cornelia Chebinou at cchebinou@nasact.org or 571-234-7108.

Sincerely,



Kathleen Baxter,
President, NASC
State Comptroller, Alabama

Cc: Edward Killen, Commissioner